

Audits



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STATE BOARD OF EQUALIZATION

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Taxpayers' Rights Advocate

The State Board of Equalization wants to make dealing with us as easy as possible. Consequently, we have appointed a Taxpayers' Rights Advocate to help you with problems you cannot resolve at other levels.



Taxpayers' Rights Advocate, MIC:70
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Sacramento CA 94279-0070

Telephone numbers:
Call: 916-324-2798 or toll-free, 1-888-324-2798
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You can request a copy of Publication 70, *The California Taxpayers' Bill of Rights*, by calling the Information Center at 1-800-400-7115.

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Note: The statements in this booklet are general and are current as of the date on the cover. The Revenue and Taxation Code sections governing the taxes and fees discussed in this publication are complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this booklet.

1. Introduction

The information in this pamphlet explains what you should expect from an audit and how you can prepare to make it easier for you and the auditor. It also discusses how to appeal an audit if you disagree with the results.

In general, accounts are subject to audits in three-year intervals, at the time a permit or license is closed out, or in connection with an audit of another permit or license held by the taxpayer or feepayer. Audits may also be initiated as a result of information received from outside sources.

It is important to remember that the conduct of audits is governed by law and Board policy. In particular, you should keep in mind that

- Board auditors will impartially determine whether you have reported the correct amount of taxes or fees. Overpayments, as well as underpayments, are considered during an audit.
- The Board's audit program is intended to correct errors that result in underreporting or overreporting and to inform you how to properly report your tax or fees. During an audit, you may ask any questions you have about the law governing taxes or fees, or your reporting requirements.
- Board auditors are expected to conduct audits in a professional, courteous and helpful manner.
- Frequently, audits do not result in any change in tax or fee liability.

Because audits will vary depending on the type or size of a business and the issues involved, this pamphlet is not intended as a comprehensive guide. For more detailed information, you may contact the department that administers the tax or fee for which you have questions (see pages 14-15 for telephone numbers). If you are scheduled for an audit, you should direct your questions to the auditor assigned to your account.

When using this pamphlet for tax programs other than sales and use tax, please note that there may be minor differences in some procedures, or that another state agency may be involved in your audit (see page 15 for listing of other tax programs).

You should expect courteous and professional treatment in an audit.

2. Audit Objective

The objective of an audit is to verify that you have correctly reported taxes or fees on your returns. The table on pages 8-13 describes what the auditor needs to determine and the types of records that will be examined, based on the type of tax or fee under consideration.

In a sales and use tax audit, for example, the auditor wants to determine the following about the returns you have filed:

- Did you report all gross receipts from sales of tangible personal property and taxable labor and services?
- Did you report the cost of all business equipment and supplies that you purchased without tax either from out-of-state vendors or for resale?
- Did you properly claim deductions?
- Did you properly allocate local tax?

- Did you use the correct rate of tax when reporting sales in special tax districts?
- Did you properly apply tax to your sales and uses of tangible personal property?

The auditor's goal is to answer these questions as accurately as possible in the minimum amount of time.

3. Preliminary Arrangements

Initial Contact

As a matter of policy, we rarely start an audit without prior notice. We have found that audits tend to be completed more efficiently when businesses have time to prepare.

Board audits are rarely started without prior notice.

Initial contact is usually by phone. If unable to reach you by phone, the auditor may write or visit your business location. During the initial contact, the auditor will tell you the audit period (usually three years) and will ask about your business operations, including the type of records that you keep. The auditor will also tell you what records you should have ready for the audit and will ask about a convenient date and location to begin the audit.

If you want the audit handled by an authorized representative such as your accountant or bookkeeper, you should tell the auditor during this initial contact. He or she can arrange an appointment with your representative.

If the audit appointment is made by phone, you will be sent a letter confirming the start date of the audit, as well as a copy of Board Publication 70, *The California Taxpayers' Bill of Rights*.

Scheduling an Appointment

Auditors can be flexible about the starting date and location of an audit. Normally, you can have up to two or three weeks to prepare. If you feel more time is needed, you can ask for a longer delay.

Delays and Waivers: The auditor may request that you sign a *Waiver of Limitation* for significant delays. This is a document extending the legal requirements that additional tax or fees be determined within a prescribed three-year period. It also permits you to file a claim for refund for the period covered by the waiver. If you request a delay and there is a credit or refund involved, the auditor may also request that you sign a *Waiver of Credit Interest*. If you have questions about either waiver form, you should discuss them with the auditor.

Although the Board prefers to conduct the audit at your business location, it can be performed elsewhere. For example, the audit could be carried out at an accountant's office or at a Board location.

If the audit is at your business, you should provide a space with a work surface, an electrical outlet and adequate light. If it is necessary to have the audit at the Board office, you will be required to leave all the needed records at the office and accept a receipt for them. Even when the audit is not at your business location, the auditor may still request a tour of your premises to get a better understanding of your operations.

Records That Will Be Reviewed

The types of records the auditor will review depends on the tax or fee program for which the audit is being conducted. Please refer to the appendix, pages 8-13, for examples of the records the auditor will need to review and for information on what the auditor will try to determine based on his or her examination of those records.

All records, even those you consider confidential, must be made available for review if they have information about your tax or fee liability. To protect your privacy, Board employees are forbidden by law to divulge information obtained during an audit to any unauthorized persons. Board employees who violate this law are subject to internal discipline and criminal prosecution.

Common Problems With Records

If you have lost or have not kept all of the records mentioned here, tell the auditor what records you do have. The auditor may be able to obtain enough information from the available records. If not, you may be required to reconstruct the missing records or the auditor may need to estimate the missing information (in some cases, records can be reconstructed from information supplied by suppliers or customers). You should also remember that if you are found to owe additional tax or fees because of inadequate record keeping, you may be charged a 10 percent negligence penalty.

Because Board audits usually cover three years, you may have some of your records in storage. Whether you should remove the records from storage will depend on the auditor's need for them. Often, records can be left at the storage location if they can be easily retrieved when requested by the auditor.

Discussion with the Auditor

Before starting the review of your records, the auditor will usually have some questions about your business operations and accounting methods. You should answer these questions as completely as possible. A full understanding of your business and accounting records will enable the auditor to more quickly and accurately complete the audit.

4. Examination and Testing

If preliminary tests indicate possible reporting errors, a more complete review may be required.

The auditor usually starts the audit with a preliminary examination of your records. This examination gives the auditor some idea of what records are available and the procedures you use to record your transactions.

The auditor then performs some tests to determine if a complete audit is needed. For a sales tax audit, for example, the auditor may compare

- The total sales recorded on your books to the total sales reported on your sales tax returns
- The total sales recorded on your books to the total sales on your income tax returns
- The sales tax you have collected to the tax reported on your returns
- Claimed sales for resale to resale certificates

The auditor might also spot-check your purchase invoices for equipment or supplies purchased without tax or might test your achieved markup on cost.

See pages 8-13 for examples of the types of documents reviewed for tax and fee programs other than sales and use taxes.

Based on a brief review of your records, the auditor may feel an audit is not needed. If this is the case, you will receive a notice waiving the audit (this notice does not constitute written advice that you are reporting tax correctly).

In-Depth Review

If the examination of your records indicates possible reporting errors, the auditor may decide that a more complete review of your records is needed. This review could be on an actual basis (looking at every transaction) or on a sample basis (looking at selected transactions).

For a sample-basis audit, the auditor generally tries to use a statistical sample. Under this method, the auditor randomly selects enough transactions to enable him or her to draw a conclusion about all of the transactions under review. For example, an auditor may randomly select invoices for a portion of your sales to determine how accurately you have reported tax on all of your sales. If your records are not suitable for a statistical sample, the auditor may use some other sampling method. In general, if an auditor is going to use a sampling method, he or she should present an audit sample plan for your approval.

Whether the auditor reviews your records on an actual or sample basis depends on the size, complexity, and accounting methods of your business. Sampling is normally used when an actual basis review would take too much time. In many cases, the auditor will use both methods on the same audit. For example, he or she may review your asset purchases on an actual basis and use a sample to review sales.

In addition to sampling, the auditor may use a variety of other methods to review your records. The auditor can answer any questions that you or your authorized representative may have about audit methods and procedures.

You should let the auditor know about any disagreements you have with the auditor's findings. In many cases, you can resolve those disagreements by providing the auditor with more information.

5. Audit Findings

At the exit conference, the auditor will explain any changes in your tax or fee liability.

Exit Conference

When the audit is complete, the auditor will arrange to hold an exit conference with you and/or your authorized representative. The auditor's supervisor may also attend. At this conference, the auditor will explain any proposed refunds or additional taxes or fees, or let you know that your returns have been accepted as filed.

Even if you have a representative, you should consider attending the exit conference. It will give you a chance to fully review the audit working papers. You can also ask any additional questions you have about the audit procedures and obtain information about how the law applies to your business. This information can help you to properly report taxes or fees in the future.

You are entitled to request and receive copies of the audit working papers. They will normally include an indexed set of schedules prepared by the auditor documenting the tests and examination procedures used in the audit. The audit working papers also include the auditor's narrative comments describing your records, explaining the purposes of the tests conducted, and interpreting the findings of the tests.

You should let the auditor know if you disagree with the audit findings. As explained later, you will be given an opportunity to discuss your reasons with the auditor's supervisor or another Board representative.

Notice of Audit Results

If the auditor determines you do not owe tax or you are not entitled to a refund, you will receive a letter stating that your returns have been accepted as filed.

If the auditor determines that you owe tax or are entitled to a refund, he or she will prepare a *Report of Field Audit* or a *Report of Investigation* that summarizes those findings. If you have not indicated you disagree with the audit findings, the report will be reviewed for accuracy and sent to Sacramento for action. Based on the audit findings, you will later receive

- A *Notice of Determination* (billing) or
- A *Notice of Refund*

See page 6 for more information on each notice and your appeal rights.

If You Disagree With the Audit Results

If you indicate you disagree with the audit results, the auditor will generally defer preparing the final audit report until you have provided information to support your argument. You should clearly explain why you disagree and ask the auditor about the documentation you need to support your position. Once the auditor has considered your reasons and documentation, he or she may:

- Adjust the audit results;
- Request more information and arrange for another discussion; or
- Recommend the next step in resolving the dispute: discussion with the audit supervisor.

Discussion With the Audit Supervisor

The auditor will tell the supervisor that you want to discuss the audit, and the supervisor will call you to schedule a meeting. At this meeting, you may explain why you disagree with the audit results and suggest what should be done to resolve the disagreement. You should also present any documents that support your position.

After considering your reasons, the supervisor will decide whether the audit results should be adjusted and will discuss any proposed adjustments with you. You should let the auditor know if you still disagree with the findings.

Following the meeting, the auditor will prepare the *Report of Field Audit* or *Report of Investigation* that summarizes the final audit findings. If the report notes you do not agree with the audit results, you will be given the opportunity to meet with a Board representative to discuss your disagreement (see next page).

You will be given an opportunity to discuss your disagreement with a Board representative.

Discussion with a Board Representative

If the report notes that you do not agree with the audit results, it will usually not be sent to the Sacramento headquarters immediately. Instead, you will receive a letter that gives you ten days to make an appointment with the Board representative identified in the letter.

Please note: *If you do not respond within ten days, we will assume that you agree with the audit and the Report of Field Audit or Report of Investigation will be sent to headquarters for processing).*

Since this discussion is the last step before you receive a billing or refund notice, you should present any information that you feel can resolve the disagreement. As with the audit supervisor, the representative can recommend a change if he or she feels one is warranted. Any proposed adjustments will be discussed with you. Once the representative feels that the audit is correct, he or she will recommend that a determination notice or refund notice be issued.

6. Billing or Refund Notice

Notice of Determination (billing)

If you receive a *Notice of Determination* indicating that you owe additional tax, please note the issue date. Within 30 days of that date, you must either

- Pay the billed amount, or
- File an appeal (“petition for redetermination”) if you disagree with the billing.

If you do not take either action within that time period, you will be assessed a penalty equal to *ten percent of the unpaid tax due*. If you do not pay the billed amount, the Board may take collection actions, including filing liens or levies.

If you miss the 30-day deadline, you cannot file a petition for redetermination and must pay the billed amount. However, you can “appeal” your payment by filing a claim for refund for *each* payment. For more information, you should request a copy of Publication 17, *Appeals Procedures* (see page 7).

Note—Interest Charges

If you appeal the *Notice of Determination* (that is, you file a petition for redetermination), you should consider paying the billed tax amount, or at least the undisputed portion, before your appeal is resolved. This is because the interest charges continue to increase on any unpaid portion of the tax. If you are successful in your appeal, any overpaid tax will be refunded with interest. Although the majority of petitions are decided in less than a year from the date the petition is first acknowledged, some cases may take several years to be resolved. If you think you may have difficulty paying a determination, please let us know.

You may call the Information Center, 1-800-400-7115, for information on the current interest rates for unpaid liabilities and refunds. You can also call the Information Center for information on the status of your appeal or to request the amount of interest that has accumulated to date.

Interest charges
continue to
increase for the
unpaid portion of
your liability.

Notice of Refund

Before any refund can be issued, Board staff must first determine whether you have an outstanding tax liability with the Board or any other state agency. If you do have such a liability, the Board may be required to transfer enough of the refund amount to cover it. In addition, refunds over \$50,000 must be approved by the Members of the Board of Equalization. When an approved refund is \$50,000 or less, Board Headquarters staff normally issues a *Notice of Refund*, and a warrant for the refund amount will be issued by the State Controller. This usually occurs four to eight weeks after receipt of the *Report of Field Audit*.

If you believe you are entitled to a larger refund, you must file a claim for refund with the Board. For more information, request a copy of Publication 17, *Appeals Procedures* (see below).

7. Further Appeals Procedures (Publication 17)

The steps involved in an appeal after this point are explained more fully in Publication 17, *Appeals Procedures: Sales and Use Taxes and Special Taxes*. If you have not already received a copy, you should ask the auditor for one. You can also have a copy mailed to you by calling our Information Center, 1-800-400-7115. Or you can download a copy from our website, <http://www.boe.ca.gov>.

If you do appeal, you should carefully read all notices and letters sent by the Board. ***Failure to respond within stated time limits can result in denial of your appeal.*** While you are pursuing an appeal, you may be able to propose a settlement of your case. See Publication 17 for more information on the Board's settlement program.

Tax or Fee *	Audit Objective	Records
	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer):
Sales and Use Taxes	<ul style="list-style-type: none">• Did you report all gross receipts from sales of tangible personal property and taxable labor and services?• Did you report the cost of all business equipment and supplies that you purchased without tax either from out-of-state vendors or for resale?• Did you properly claim deductions?• Did you properly allocate tax?	<ul style="list-style-type: none">• Books of account including your statements, balance sheets, general ledgers, and other summary records of your business operations, including state and federal income tax returns• Original documents that support the entries to your books, such as sales and purchase invoices, purchase orders, contracts, and any other documents that result from your business operations• Resale certificates, exemption certificates, or other documents supporting claimed exempt sales• Copies of the returns you have filed with the Board and the working papers and schedules used to prepare the returns
Environmental Fees		
Hazardous Substances Tax/Generator Fee	<ul style="list-style-type: none">• Do the amounts reported on returns agree with the total amount of hazardous waste and are the wastes properly classified?• Did you file your returns on time and make the correct prepayments?• Is your account registered correctly and does it contain current information?	<ul style="list-style-type: none">• Copies of returns and reports filed with the Board, including supporting worksheets• Hazardous waste manifests, with supporting documentation, such as weight tickets and waste profile sheets• Waste stream analysis reports• Conversion factor computation• Production reports• Correspondence with regulatory agencies and copies of site inspection reports
Excise Taxes		
Alcoholic Beverage Tax	Winegrowers and Importers of Beer or Wine <ul style="list-style-type: none">• Did you report removals of wine from internal revenue bond on payment of federal internal revenue tax?• Did you report imports and exports into or out of California?• Did you report properly report claimed exemptions?	<ul style="list-style-type: none">• Books of accounts, including income statements, balance sheets, general ledgers, purchase and sales journals, receiving logs, inventory records, and other summary records of your business operations• Federal excise tax returns may also be examined.• Original documents that support the entries made in the types of records listed above (such as sales and purchase invoices and bills of lading)• Copies of returns you have filed with the Board and the working papers and schedules use to prepare the returns

* If you are registered under a tax or fee program that is not listed here, please contact the appropriate department for information on the records the department will need to examine. See page 15 for telephone numbers and addresses.

Tax or Fee *	Audit Objective	Records
<p>The following are examples of the types of information the auditor wants to determine:</p> <p>Alcoholic Beverage Tax (continued)</p>	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <p><i>Beer Manufacturers</i></p> <ul style="list-style-type: none"> • Did you report federal tax-paid beer removals from the bonded brewery premises? • Did you report all imports and exports into or out of California? <p><i>Distilled Spirits</i></p> <ul style="list-style-type: none"> • Did you report taxable sales of distilled spirits? • Did you report exempt sales of distilled spirits? • Did you report inventory transactions of distilled spirits? • Did you properly report claimed exemptions? 	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <ul style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, purchase and sales journals, receiving logs, inventory records, and other summary records of your business operations • Original documents that support the entries made in the types of records listed above (such as sales and purchase invoices and bills of lading) • Copies of returns you have filed with the Board and the working papers and schedules use to prepare the returns
<p>Cigarette and Tobacco Products Tax</p>	<p><i>Cigarette Tax</i></p> <ul style="list-style-type: none"> • Did you take actual beginning and ending inventories of cigarettes with stamps affixed and unaffixed? • Did you properly claim tax-exempt distributions? • Did you properly deduct unusable stamps for which you have filed a claim? <p><i>Tobacco Products Tax</i></p> <ul style="list-style-type: none"> • Did you report the wholesale cost of tobacco products distributed (prior to any discounts or trade allowances)? • Did you properly claim tax-exempt distributions? 	<ul style="list-style-type: none"> • Cigarette distributor's tax reports, Cigarette Distributor's Stamp and Cigarette Adjustment Tax returns and supporting documents, physical inventory records for stamped and unstamped cigarettes and for fixed and unaffixed cigarette stamps, cigarette tax stamp logs and purchasing records, Tobacco Products Tax returns, invoices and summary records for sales and purchases of cigarettes and tobacco products, list of all tobacco products vendors and their addresses • Bank statements, canceled checks and cash distributions records, financial statements, balance sheets, general ledgers, and other summary records of your business operations
<p>Emergency Telephone Users Surcharge</p>	<ul style="list-style-type: none"> • Did you report all charges for intrastate telephone communication service? • Did you report all charges for intrastate cellular telephone roamer service you provided? • Did you include all CPUC fees, surcharge reimbursements and billing surcharges or surcredits as charges subject to the surcharge? • Did you report bad debts related to intrastate telephone communication service (net-of-recoveries)? 	<ul style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns • Original documents that support the entries to your books, such as invoices, settlement sheets, customer service records, and any other documents that result from your business operations

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Tax or Fee *	Audit Objective	Records
	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer):
Emergency Telephone Users Surcharge (continued)	<ul style="list-style-type: none"> • Did you properly exclude interstate cellular airtime charges? • Did you properly exclude separately stated charges for private communication services? 	<ul style="list-style-type: none"> • Tariffs filed with the CPUC and other documents describing the telephone communication services provided • Copies of returns filed with the Board and the working papers and schedules used to prepare the returns
Energy Resources Surcharge	<ul style="list-style-type: none"> • Did you report all kilowatt (kwh) hours of electrical energy sold? • Did you properly exclude sales to other electrical utilities? • Did you properly exclude energy used directly or lost in the process of generation, transmission, or distribution? • Did you properly exclude bad debt adjustments? • Did you exempt only service users who qualify as exempt from the energy surcharge? 	<ul style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns • Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations • Tariffs filed with the CPUC and other documents describing the energy provided • Copies of returns filed with the Board and the working papers and schedules used to prepare the returns
Integrated Waste Management Fee	<ul style="list-style-type: none"> • Did you report all tonnage of waste accepted into landfill? • Did you properly exclude amounts of recycled and inert material waste removed from the waste stream and not disposed of in the solid waste landfill? 	<ul style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns • Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations • Copies of returns filed with the Board and the working papers and schedules used to prepare the returns
Tire Recycling Fee	<ul style="list-style-type: none"> • Did you report all new retail tires sold? • Did you properly include all self-consumed tires and company-warranted tires? • Did you properly exclude wholesale tires sold? • Did you properly exclude sales to the federal government? 	<ul style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns • Original documents that support the entries to your books, such as sales invoices, credit memos, purchase orders, and other documents that result from your business operations

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Tax or Fee *	Audit Objective	Records
Tire Recycling Fee (continued)	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer): <ul style="list-style-type: none"> • Sales or other reports showing the quantity of retail and wholesale tires sold • Copies of returns filed with the Board and the working papers and schedules used to prepare the returns
Fuel Taxes		
Childhood/Lead Poisoning Prevention Fee	<p><i>Motor Vehicle Fuel Distributors</i></p> <ul style="list-style-type: none"> • Same as Motor Vehicle Fuel License Tax. See page 12. <p><i>Architectural Coating Distributors</i></p> <ul style="list-style-type: none"> • Did you report all gallons of architectural coatings manufactured, produced, blended, compounded, or imported? 	<ul style="list-style-type: none"> • Same as Motor Vehicle Fuel License Tax. See page 12. • Books of account related to all architectural coatings sold, donated, bartered, or used, including general ledger accounts, purchase and sales journals, purchase and sales invoices, and bills of lading. • A record of all imports and architectural coatings • Physical inventory records of architectural coatings • Production reports • Copies of returns filed with the Board and the working papers and schedules used to prepare the returns
Diesel Fuel Tax	<ul style="list-style-type: none"> • Did you correctly report all rack removals of diesel fuel? • Did you correctly report all sales of diesel fuel to unlicensed suppliers above the rack? • Did you correctly report total gallons of imports and exports? • Have all below-the-rack purchases been made tax-paid? • Did you correctly report purchases of dyed diesel fuel been? • Did you correctly claim total deductions in number of gallons and use the correct tax rate, supported with proper documentation? • Did you correctly report the amount of fuel used? • Did you use correct tax rate when reporting? 	<ul style="list-style-type: none"> • Books of account related to all diesel fuel purchased and sold, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, pipeline tickets, terminal reports, purchase orders, contracts, and exchange agreements • A record of all imports and exports of diesel fuel • Physical inventory records of diesel • Refinery production reports • Exemption Certificates, off-highway or usage logs or any documentation to support claimed exemptions/deductions • Copies of returns and claims filed with the Board and the working papers and schedules used to prepare the returns

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Tax or Fee *	Audit Objective	Records
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Motor Vehicle Fuel License Tax	<ul style="list-style-type: none"> • Did you report all gallons of motor vehicle fuel distributed in the state? • Did you properly claim deductions? • Did you properly support your deductions? • Did you use correct tax rate when reporting? 	<ul style="list-style-type: none"> • Books of account related to all motor vehicle fuel (MVF) distributed, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, pipeline tickets, terminal reports, purchases orders, contracts and exchange agreements • A record of all imports and exports of MVF • Physical inventory records of MVF • A listing of all MVF produced and distributed • Refinery production reports • Copies of returns filed with the Board and the working papers and schedules used to prepare the returns
Oil Spill Response, Prevention, and Administration Fees	<ul style="list-style-type: none"> • Has total crude oil (including condensate and natural gasoline) received at owner's marine terminal/shipping dock, within or outside the state, been reported? • Has total crude oil received at third-party terminal/shipping dock within or outside the state been reported by the owner of the crude oil or by the terminal operator? • Has the following been reported: total crude oil originating from a production facility in marine waters and transported in the state by means of pipeline operating across, under, or through marine waters? • Have total petroleum products received at owner's marine terminal/shipping dock from outside the state been reported? • Have total petroleum products received from out of state at third-party marine terminals/shipping docks been reported by the owner of the petroleum products or the terminal operator? • Was the correct fee amount paid? • Was ownership of crude oil and other petroleum products properly determined at the time of distribution? Who owns the crude oil or petroleum products at the time of discharge? • Was the correct measure (net or gross) of crude oil or petroleum products used when reporting to the Board? 	<ul style="list-style-type: none"> • Books of account related to crude oil (including condensate and natural gasoline) and petroleum products received at a marine terminal (including third-party terminals) or transported by pipeline across, under, or through marine waters of this state • Purchase and sales journals, purchase and sales invoices, bills of lading, shipping and discharge records, contracts showing title • Records identifying all marine terminal/shipping dock locations owned or operated within the state and all third-party locations where crude oil or petroleum products are received • Third-party independent inspection reports (for example, Saybold and Caleb Brett reports), showing loading and discharge of crude and other petroleum products at marine terminals/shipping docks • Refinery records showing the origin and receipt of crude oil used for processing • Records from production platforms accounting for all crude oil and any other products extracted on the platforms and their receipt in this state • Copies of all returns filed with the Board and the working papers and schedules used to prepare the returns

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Tax or Fee *	Audit Objective	Records
	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer):
Underground Storage Tank Maintenance Fee	<ul style="list-style-type: none">• Did you report total gallons of petroleum products placed into your storage tank?• Did you use the correct rate of the fee when reporting?• Is the underground storage tank account correctly registered to the owner of the tank?	<ul style="list-style-type: none">• Copies of the Underground Storage Tank Maintenance Fee returns and their related worksheets• Purchase invoices for all fuel purchases for the audit period, including meter tickets and bills of lading• Purchase journals showing gallons of fuel purchased• Fuel inventory records• Sales or usage records, including pump meter readings• Property tax statements and/or deeds of trust on properties owned where underground storage tanks are located• Leases or any other documents that verify ownership of the underground storage tanks
Use Fuel Tax	<ul style="list-style-type: none">• Do you have proper fuel permits or licenses to operate vehicles that are powered by liquefied petroleum gas (LPG), liquefied natural gas (LNG), compressed natural gas (CNG), or certain alcohol fuels on public roads?• Did you properly claim exemptions?• Did you properly support your exemptions?• Did you use the correct tax rate when reporting?	<ul style="list-style-type: none">• Books of account related to all use fuel, including general ledger accounts, purchase and sales journals, purchase and sales invoices, and bills of lading• Copies of returns filed with the Board and the working papers and schedules used to prepare the returns

* If you are registered under a tax or fee program that is not listed here, please contact the appropriate department for information on the records the department will need to examine. See page 15 for telephone numbers and addresses.

For More Information

Information Center

1-800-400-7115

TDD assistance (telephone device for the deaf)

1-800-735-2929 (TDD phone)

1-800-735-2922 (voice phone)

■ **To speak to a representative**

Call between 8:00 a.m. and 5:00 p.m., Monday-Friday, excluding holidays.

■ **To order a publication**

For a complete list of Board publications, request Publication 51, *Guide to Board of Equalization Services*. Publications that are related to audits include Publication 17, *Appeals Procedures*, and the Board's *Rules of Practice* (regulations on petitions and hearings procedures).

To receive by mail: Call 1-800-400-7115 at any time to leave a recorded request for a specific form, publication, or regulation; or call during working hours to talk to a representative.

To receive by fax: Call 1-800-400-7115 to listen to a recorded message describing which documents are available by fax.

From the Internet: You can download some publications from our website: <http://www.boe.ca.gov>.

Taxpayers' Rights Advocate

If you have been unable to resolve a disagreement with the Board, or if you would like to know more about your rights under the law, contact the Taxpayers' Rights Advocate for help:

Taxpayers' Rights Advocate, MIC: 70
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0070

888-324-2798 toll-free phone
916-324-2798 phone
916-323-3319 fax

Internet

<http://www.boe.ca.gov>

You can read or download many publications and forms, read about your Board Members, get information on tax rates, learn about the Board's settlement program, or obtain other valuable information.

Field Offices

City	Area Code	Number
Bakersfield	661	395-2880
City of Industry	562	908-5280
Culver City	310	342-1000
El Centro	760	352-3431
Eureka	707	445-6500
Fresno	559	248-4219
Laguna Hills	949	461-5711
Norwalk	562	466-1694
Oakland	510	622-4100
Rancho Mirage	760	346-8096
Redding	530	224-4729
Riverside	909	680-6400
Sacramento	916	227-6700
Salinas	831	443-3003
San Diego	619	525-4526
San Francisco	415	703-5400
San Jose	408	277-1231
San Marcos	760	744-1330
Santa Ana	714	558-4059
Santa Rosa	707	576-2100
Stockton	209	948-7720
Suisun City	707	428-2041
Torrance	310	516-4300
Van Nuys	818	904-2300
Ventura	805	677-2700

Offices for Out-of-State Accounts

Chicago, IL	312	201-5300
Houston, TX	281	531-3450
New York, NY	212	697-4680
Sacramento, CA	916	227-6600

For More Information

Department Contacts

Sales and Use Tax Department

For general questions, please call our Information Center, 1-800-400-7115. If you are being audited, you should contact your auditor for help whenever possible.

Special Taxes Department

Environmental Fees Division, MIC:57
P.O. Box 942879
Sacramento, CA 94279-0057

916-323-9555
 Hazardous Substances Tax
 Environmental Fee
 Activity Fee
 Generator Fee
 Disposal Fee
 Facility Fee and Tiered Permit Fees
 Occupational Lead Poisoning Prevention Fee

Excise Taxes Division, MIC:56
P.O. Box 942879
Sacramento, CA 94279-0056

1-800-400-7115
 Alcoholic Beverage Tax
 Cigarette and Tobacco Product Tax
 Emergency Telephone Users Surcharge
 Energy Resources Surcharge
 Insurance Tax
 Integrated Waste Management Fee
 Tire Recycling Fee

Fuel Taxes Division, MIC:30
P.O. Box 942879
Sacramento, CA 94279-0030

916-322-9669
 Motor Vehicle Fuel License Tax
 Diesel Fuel Tax
 International Fuel Tax Agreement (IFTA)
 Use Fuel Tax
 Underground Storage Tank Maintenance Fee
 Childhood Lead Poisoning Prevention Fee
 Oil Spill Response, Prevention, and
 Administration Fees

Tax Advice

If you have questions about the application of a specific rule or procedure to a tax or fee affecting you, please call or write the appropriate Board Department for specific information (see previous column).

For your protection it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction or activity if the Board determines that you reasonably relied on written advice from the Board regarding the transaction or activity. For this relief to apply, a request for advice must be in writing, identify the taxpayer or feepayer to whom the advice applies, and fully describe the facts and circumstances of the transaction or activity.

For written advice regarding sales and use taxes, send your letter to:

Audit Evaluation and Planning Section, MIC:40
 State Board of Equalization
 P.O. Box 942879
 Sacramento, CA 94279-0040

For written advice regarding special taxes, send your letter to the appropriate department (see left-hand column).

